

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 4633-01  
BILL NO.: HB 2109  
SUBJECT: Children and Minors; Education, Elementary and Secondary; Revenue Dept.;  
Taxation and Revenue-General-Income  
TYPE: Original  
DATE: April 11, 2000

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(unknown)	(unknown)	(unknown)
County Foreign Insurance	(unknown)	(unknown)	(unknown)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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**FISCAL ANALYSIS**

**ASSUMPTION**

Officials of the **Department of Revenue (DOR)** state this legislation expands the application of the tax credit for expenditures for students in a sponsorship and mentoring program by allowing insurance companies and other financial institutions taxed pursuant to chapter 148, RSMo, to claim the credit.

The number of additional credits received from this legislation is unknown at this time. However, the Division of Taxation does not anticipate a large growth in credits. The Division of Taxation will need one Tax Processing Tech I for every 3,680 additional tax credits received in the Business Tax Bureau.

Officials of the **Department of Elementary and Secondary Education (DESE)** state this bill expands the sponsorship and mentoring program tax credit by allowing taxpayers to take eligible tax credits against insurance premiums tax and financial institutions tax. The bill also clarifies that the tax credits from the program cannot be taken against withholding taxes.

General Revenue fund tax revenues will decline to the extent the credit is taken. If the credit is capped at a certain amount, then there may be no fiscal effect, unless not all credits are currently claimed. DESE does not have the information available to estimate the impact of extending the credit to insurance premiums taxes and franchise tax payments.

This proposal would have no additional administrative impact to DESE.

Officials of the **Department of Insurance (INS)** state Missouri has approximately 300 domiciled companies and approximately 1800 companies licensed to do business in the state. It is assumed that only domiciled companies would contribute to approved sponsorship or mentoring programs. It is not known how many sponsorship or mentoring programs would be approved in the state. Total premium tax credits taken in 1998 totaled 31.5 million for all companies. For fiscal estimate purposes, the department assumes that credits taken would not exceed more than \$50,000 on average per company or \$15 million. Premium tax is split 50/50 between GR and County Foreign Insurance Funds. A range of \$0-\$15 million is being proposed as the estimated fiscal impact on revenues.

Officials of the **Office of Administration (COA)** state this proposal would result in an unknown, negative impact of Total State Revenue if the legislature appropriated funds for the tax credits and income taxpayers took advantage of the tax credits.

ASSUMPTION (continued)

**Oversight** assumes, for purposes of this fiscal note, that the fiscal impact of this proposal would be an unknown loss to General Revenue and the County Foreign Insurance Funds. It is not known how many sponsorship or mentoring programs would be approved or how much a taxpayer would contribute for each eligible student.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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**GENERAL REVENUE FUND**

<u>Loss to General Revenue Fund</u>			
Tax credits for mentoring programs	(unknown)	(unknown)	(unknown)

**COUNTY FOREIGN INSURANCE FUND**

<u>Loss to County Foreign Insurance Fund</u>			
Tax credits for mentoring programs	(unknown)	(unknown)	(unknown)

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small businesses could be impacted by this proposal to the extent that such businesses contribute funds to the sponsorship and mentoring programs and receive a tax credit for their contributions.

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DESCRIPTION

This bill expands the sponsorship and mentoring program tax credit by allowing taxpayers to take eligible tax credits against insurance premiums tax and financial institutions tax.

The bill also clarifies that the tax credits from the program cannot be taken against withholding taxes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Revenue  
Department of Insurance  
Office of Administration

A handwritten signature in black ink, appearing to read "Jeanne Jarrett".

Jeanne Jarrett, CPA  
Director  
April 11, 2000